NON-RESIDENTS AND INVESTMENT INCOME

This Help Sheet explains how income from UK savings and investments (such as interest from banks or building societies, unit trusts, National Savings, or dividends from UK companies) is taxable if you are not resident in the UK.

It includes a Working Sheet, which you only need to use if you decide to calculate your tax.

HOW IS INVESTMENT INCOME CHARGED TO TAX?

With the exception of income from property in the UK and investment income connected to a trade in the UK through a branch or agency, the tax charge for non-residents on investment income arising in the UK is restricted to the amount of tax, if any, deducted at source.

GETTING ADVICE

This Help Sheet explains the restriction, but it is only an introduction. If you are in any doubt about whether the restriction applies or how it operates, ask your Inland Revenue office or tax adviser.

The Financial Intermediaries and Claims Office will also be pleased to help at the address shown below:

Financial Intermediaries and
Claims Office (FICO)
Residence Advice and Liabilities (Unit 373)
St John's House
Merton Road
Bootle
Merseyside
L69 9BB Telephone: 0151 472 6196.

HOW DOES THE RESTRICTION WORK?

If you are not resident in the UK, the tax you pay on all your income cannot be more than:

- the amount of tax that would be chargeable on income, other than the 'excluded income' shown below, but before the deduction of any personal allowances due

plus

- the amount of tax deducted at source from the 'excluded income'.

'Excluded income' includes:

- interest from banks and building societies
- dividends from UK companies
- income from unit trusts
- income from National Savings
- profits from public revenue dividends
- profits or gains from transactions in deposits
- certain social security benefits, such as National Insurance retirement pensions or widows pensions
- taxable maintenance or alimony
- taxable income from purchased life annuities **except** annuities under personal pension schemes, retirement annuity contracts or trust schemes.

Note 1: Excluded income does not include a share of partnership investment income. If you had such income in the year 1999-2000 you should not use this Help Sheet. You should enter in the 'Additional information' box on your Return the following words; 'I have been unable to complete the Tax Calculation fully because I had a share in partnership investment income and the self calculation sheet on IR300 does not provide for this. The Revenue will need to complete the calculation for me.'

CALCULATING YOUR TAX

If you want the Inland Revenue to calculate your tax for you, you can ignore the rest of this Help Sheet.

If you have decided to calculate your tax yourself, you will have to compare the amount of tax that would otherwise be due with the amount due as shown by this Help Sheet, but see Note 1 above if you had a share in partnership investment income.

This is to make sure that you do not pay too much tax. In some circumstances, you will be better off paying tax as if you were resident in the UK.

Use the Working Sheet on page 3 to make the comparison. There are instructions on how to fill it in, and an example on pages 4 to 9.

Working out the limit of your liability

First, fill in the Working Sheet in your Tax Calculation Guide up to and including box C11.43.

Then, work out the limit of your liability by filling in the Working Sheet on page 3 of this Help Sheet, following the instructions on page 2.

FILLING IN THE WORKING SHEET

boxes 1 and 2 Enter the details of the 'excluded' income, showing the totals of the gross income (box 1), tax deducted at source, tax credits or notional income tax (box 2).

box 3 Enter your total gross income for the year *minus* deductions. This is the figure in box C3.46 *minus* the figure in box C2.35 in your Working Sheet in the Tax Calculation Guide.

box 4 Deduct the figure in box 1 from the figure in box 3.

boxes 5 to 12 Your non-excluded income is taxed at 10% on the first £1,500. The next £26,500 is taxed at 23%. Any income over £28,000 is taxed at 40%.

box 13 Enter the total tax due at the above rates in box 13.

boxes 14 to 16 Employee contributions to personal pension plans are normally paid net of tax at the basic rate. Further relief is due if you are liable to higher rate tax. Enter in box 14 the total amounts in boxes 14.15 and 14.17 in your Tax Return.

boxes 17 to 20 Some allowances and reliefs are given to you by taking them off the tax you have to pay:

- interest on loans to purchase a home. Enter in box 17 the figure from box C11.1.
- maintenance or alimony paid. Enter in box 18 the figure from box C11.4.

Multiply the figure in box 19 by 10% and enter the result in box 20.

box 21 Enter the amount of tax credit relief due, if any.

box 22 Enter in box 22 the figure of notional tax paid from box C11.27.

box 23 Enter here the figure from box C11.42.

box 24 Add together the figures in boxes 16, 20, 21, 22 and 23 and enter the result in box 24.

box 25 Add the figure in box 2 to box 13.

box 27 Enter in box 27 the figure of Venture Capital Trust and Enterprise Investment Scheme relief from box C11.17.

box 28 The maximum amount of Income Tax due from you is the total of the amount due after allowances and reliefs (except for personal allowances) and the amount of tax, if any, deducted at source.

Calculate this by subtracting box 24 from box 25 and entering the result in box 26. Then deduct any amount in box 27 from the figure in box 26; the result is the maximum amount of Income Tax due. Enter this figure in box 28. (But if box 27 is greater than box 26 enter zero in box 28).

Filling in the rest of the Working Sheet in your Tax Calculation Guide

Follow the instructions in your Tax Calculation Guide for completing the rest of the Working Sheet. But if the figure in box 28 of this Working Sheet is less than the figure in box C11.43 add the box 28 figure to any figures entered in boxes C11.58 and C11.59 to arrive at the total for box C11.60.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.

Maximum Income Tax Working Sheet ***See instructions, and example on pages 4 to 9***

Excluded income	Gross income	Tax deducted
	£	£
	£	£

Total gross income *minus* deductions for the year

1 total column above £

2 total column above £

Total gross income after excluded income

3 box C3.46 *minus* C2.35 £

4 box 3 *minus* box 1 £

5 Lower of box 4 or £1,500 £

6 box 5 x 10% £

If the figure in box 4 is £1,500 or less, copy the figure in box 6 to box 13. **Do not** fill in boxes 7 to 12.

7 box 4 *minus* £1,500 £

8 lower of box 7 or £26,500 £

9 box 8 x 23% £

10 boxes 6 + 9 £

If the figure in box 4 is less than £28,001 **do not** fill in box 11 and enter a zero in box 12.

11 box 7 *minus* £26,500 £

12 box 11 x 40% £

Total tax due

13 boxes 10 + 12 £

Allowances and reliefs

- Personal Pensions — 14 boxes 14.15 + 14.17 £ — 15 lower of boxes 11 and 14 £ — 16 box 15 x 17% £
- Interest on home loans — 17 from box C11.1 £
- Maintenance or alimony paid — 18 from box C11.4 £ — 19 boxes 17 + 18 £ — 20 box 19 x 10% £
- Tax credit relief — 21 from box C11.13 £
- Notional tax — 22 from box C11.27 £
- Non-payable tax credits on dividends — 23 from box C11.42 £

24 boxes 16 + 20 + 21 + 22 + 23 £

25 boxes 2 + 13 £

26 box 25 *minus* box 24 £

- Venture Capital Trust and Enterprise Investment Scheme relief — 27 from box C11.17 £
- **Maximum amount of Income Tax due** — 28 box 26 *minus* box 27 £

continued over

Example

John is a non-resident with total income for the year of £50,000 of which £30,000 is 'excluded' income being bank interest (£5,000) and UK company dividends (£22,500 and non-payable tax credits of £2,500). The remaining income which is **not** 'excluded' is UK rents of £20,000.

He is entitled to personal allowances as a Commonwealth citizen. He does not claim any deductions from income.

Having chosen to calculate his tax, he works through the Working Sheet in the Tax Calculation Guide, which shows Income Tax due after allowances and reliefs of £8,185; then he fills in the Working Sheet on page 3 of this Help Sheet. This shows that the maximum charge to Income Tax is £4,405.

This smaller figure is entered in box C11.60 in the Working Sheet in the Tax Calculation Guide. Finish the Working Sheet in the Tax Calculation Guide to work out the overall reduced tax liability.

1,500

Maximum Income Tax Working Sheet ***See instructions, and example on pages 4 to 9***

	Excluded income	Gross income	Tax deducted
	Bank interest	£ 5,000	£ Nil
	UK company dividends	£ 25,000	£ 2,500
Total gross income *minus* deductions for the year		1 total column above £ 30,000	2 total column above £ 2,500
Total gross income after excluded income		3 box C3.46 *minus* C2.35 £ 50,000	
		4 box 3 *minus* box 1 £ 20,000	5 Lower of box 4 or £1,500 £ 1,500
			6 box 5 x 10% £ 150

If the figure in box 4 is £1,500 or less, copy the figure in box 6 to box 13. **Do not** fill in boxes 7 to 12.

7 box 4 *minus* £1,500 £ 18,500	8 lower of box 7 or £26,500 £ 18,500	9 box 8 x 23% £ 4,255	
		10 boxes 6 + 9 £ 4,405	

If the figure in box 4 is less than £28,001 **do not** fill in box 11 and enter a zero in box 12.

	11 box 7 *minus* £26,500 £	12 box 11 x 40% £ 0	
Total tax due		13 boxes 10 + 12 £ 4,405	

Allowances and reliefs

• Personal Pensions	14 boxes 14.15 + 14.17 £	15 lower of boxes 11 and 14 £	16 box 15 x 17% £
• Interest on home loans	17 from box C11.1 £		
• Maintenance or alimony paid	18 from box C11.4 £	19 boxes 17 + 18 £	20 box 19 x 10% £
• Tax credit relief			21 from box C11.13 £
• Notional tax			22 from box C11.27 £
• Non-payable tax credits on dividends			23 from box C11.42 £ 2,500
			24 boxes 16 + 20 + 21 + 22 + 23 £ 2,500
			25 boxes 2 + 13 £ 6,905
			26 box 25 *minus* box 24 £ 4,405
• Venture Capital Trust and Enterprise Investment Scheme relief			27 from box C11.17 £
• **Maximum amount of Income Tax due**			28 box 26 *minus* box 27 £ 4,405

Part of page 10 of the Tax Calculation Guide

Total column above C3.39	Total column above C3.40	Total column above C3.41	Total column above C3.42	Total column above C3.43	Total column above C3.44	Total column above C3.45	Total row left C3.46
£ 20,000	£ 0	£ 5,000	£ 25,000	£ 0	£ 0	£ 0	£ 50,000

End of stage 3. This has ... our in... ...eeded to allocate rate bands and ...

Crosscheck: box C3.46 should equal the total of boxes C3.3, ...

Part of page 11 of the Tax Calculation Guide

CALCULATION HELP

If any box on this page is negative, substitute zero ('0')

C4.1 £ 1,500

C3.39 *minus* C4.1 **C4.2** £ 18,500

C4.1 *minus* C3.39 **C4.3** £ 0

from C2.42 **C4.4** £ 4,335 — **Total deductions and allowances**

C4.4 *minus* C4.2 **C4.5** £ 0

C4.2 *minus* C4.4 **C4.6** £ 14,165

C3.40 *minus* C4.5 **C4.7** £ 0 — Copy to box C5.35

C4.5 *minus* C3.40 **C4.8** £ 0

C4.1 + C4.6 **C4.9** £ 15,665

C4.3 + C4.8 **C4.10** £ 0

C4.9 *minus* C4.10 **C4.11** £ 15,665 — copy to box C5.7

C3.39 + C3.40 **C4.12** £ 20,000

C4.4 *minus* C4.12 **C4.13** £ 0

C3.41 *minus* C4.13 **C4.14** £ 5,000 — Copy to box C5.17

C4.13 *minus* C3.41 **C4.15** £ 0

C3.42 *minus* C4.15 **C4.16** £ 25,000 — Copy to box C5.27

C4.15 *minus* C3.42 **C4.17** £ 0

C3.43 *minus* C4.17 **C4.18** £ 0 — Copy to box C5.8

C4.17 *minus* C3.43 **C4.19** £ 0

C3.44 *minus* C4.19 **C4.20** £ 0 — Copy to box C5.18

C4.19 *minus* C3.44 **C4.21** £ 0

C3.45 *minus* C4.21 **C4.22** £ 0 — **Taxable chargeable event gains** — Copy to box C5.43

C3.46 *minus* C4.4 **C4.23** £ 45,665 — **Total taxable income**

SA302

End of stage 4 If y... ...ish, you can... ...the note under the box.

Crosscheck: box C4.23 should equal the total of boxes C4.11, C4.7, C4.14, C4.16, C4.18, C4.20 and C4.22

Part of page 12 of the Tax Calculation Guide

■ ALLOCATE YOUR INCOME TO TAX BANDS

	Basic rate tax	Corresponding deficiency relief	Pension payments	FSAVCs
	C5.1	from box 12.12 C5.2	from box 14.15 C5.3	from box 14.17 C5.4
	£ 26,500	£ 0	£ 0	£ 0

starting rate band	basic rate band
C5.5	C5.1 + C5.2 + C5.3 + C5.4 C5.6
£ 1,500	£ 26,500

CALCULATION HELP

If any box on this page is negative, substitute zero ('0')

Allocate Non-savings income, etc. into tax bands

from box C4.11 C5.7	lower of C5.9 or C5.5 C5.10	C5.9 *minus* C5.10 C5.11	lower of C5.11 or C5.6 C5.12	C5.10 + C5.12 C5.13	C5.9 *minus* C5.13 C5.14	
£ 15,665	£ 1,500	£ 14,165	£ 14,165	£ 15,665	£ 0	
from box C4.18 C5.8						
£ 0						
C5.7 + C5.8 C5.9						
£ 15,665						
C5.5 *minus* C5.10 C5.15		C5.6 *minus* C5.12 C5.16				
£ 0		£ 12,335				

Allocate Savings, etc. (not dividends) to tax bands

from box C4.14 C5.17	lower of C5.15 or C5.19 C5.20	C5.19 *minus* C5.20 C5.21	lower of C5.16 or C5.21 C5.22	C5.20 + C5.22 C5.23	C5.19 *minus* C5.23 C5.24	
£ 5,000	£ 0	£ 5,000	£ 5,000	£ 5,000	£ 0	
from box C4.20 C5.18						
£ 0						
C5.17 + C5.18 C5.19						
£ 5,000						
C5.15 *minus* C5.20 C5.25		C5.16 *minus* C5.22 C5.26				
£ 0		£ 7,335				

Allocate Dividends, etc. to tax bands

from box C4.16 C5.27	lower of C5.25 or C5.27 C5.28	C5.27 *minus* C5.28 C5.29	lower of C5.26 or C5.29 C5.30	C5.28 + C5.30 C5.31	C5.27 *minus* C5.31 C5.32	
£ 25,000	£ 0	£ 25,000	£ 7,335	£ 7,335	£ 17,665	
C5.25 *minus* C5.28 C5.33		C5.26 *minus* C5.30 C5.34				
£ 0		£ 0				

Allocate Lump sum payments etc. to tax bands

from box C4.7 C5.35	lower of C5.33 or C5.35 C5.36	C5.35 *minus* C5.36 C5.37	lower of C5.34 or C5.37 C5.38	C5.36 + C5.38 C5.39	C5.35 *minus* C5.39 C5.40	
£ 0	£ 0	£ 0	£ 0	£ 0	£ 0	
C5.33 *minus* C5.36 C5.41		C5.34 *minus* C5.38 C5.42				
£ 0		£ 0				

Allocate Chargeable Event Gains (with Notional Tax) etc. to tax bands

from box C4.22 C5.43	lower of C5.41 or C5.43 C5.44	C5.43 *minus* C5.44 C5.45	lower of C5.42 or C5.45 C5.46	C5.44 + C5.46 C5.47	C5.43 *minus* C5.47 C5.48	
£ 0	£ 0	£ 0	£ 0	£ 0	£ 0	

End of stage 5

BMSD 12/99

Part of page 13 of the Tax Calculation Guide

WORK OUT THE INCOME TAX DUE

Non-savings income, etc.

Income chargeable at starting rate

from box C5.10 **C6.1**
£ 1,500

Income chargeable at basic rate

from box C5.12 **C6.2**
£ 14,165

Income chargeable at higher rate

from box C5.14 **C6.3**
£ 0

from box C5.36 **C6.9**
£ 0

from box C5.38 **C6.10**
£ 0

from box C5.47 **C6.12**
£ 0

from box C5.40 **C6.11**
£ 0

from box C5.48 **C6.13**
£ 0

Total column above **C6.14**
£ 1,500
SA302

Total column above **C6.15**
£ 14,165
SA302

Total column above **C6.16**
£ 0
SA302

C6.14 x 10% **C6.22**
£ 150
SA302

C6.15 x 23% **C6.23**
£ 3,258
SA302

C6.16 x 40% **C6.24**
£ 0
SA302

Savings, etc. (not dividends)

Income chargeable at starting rate

from box C5.20 **C6.4**
£ 0

Income chargeable at lower savings rate

from box C5.22 **C6.5**
£ 5,000

Income chargeable at higher savings rate

from box C5.24 **C6.6**
£ 0

Total column above **C6.17**
£ 0
SA302

Total column above **C6.18**
£ 5,000
SA302

Total column above **C6.19**
£ 0
SA302

C6.17 x 10% **C6.25**
£ 0
SA302

C6.18 x 20% **C6.26**
£ 1,000
SA302

C6.19 x 40% **C6.27**
£ 0
SA302

C6.14 + C6.15 + C6.16 + C6.17 + C6.18 + C6.19 + C6.20 + C6.21 **C6.30**
£ 45,665

If you want to check your figure, box C6.30 should equal C4.23

Dividends, etc.

Income chargeable at lower dividend rate

from box C5.31 **C6.7**
£ 7,335

Income chargeable at higher dividend rate

from box C5.32 **C6.8**
£ 17,665

Total column above **C6.20**
£ 7,335
SA302

Total column above **C6.21**
£ 17,665
SA302

C6.20 x 10% **C6.28**
£ 733
SA302

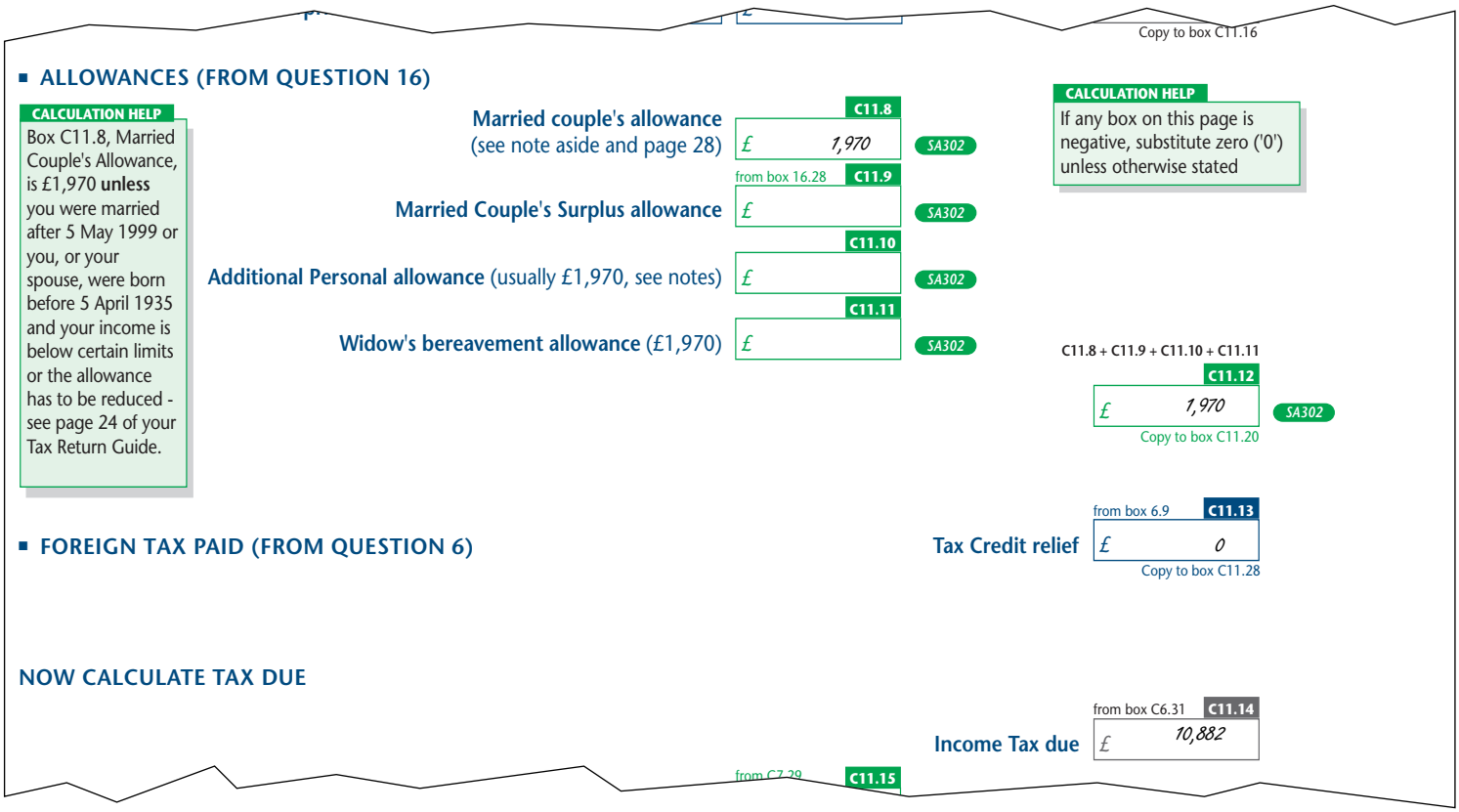
C6.21 x 32.5% **C6.29**
£ 5,741
SA302

C6.22 + C6.23 + C6.24 + C6.25 + C6.26 + C6.27 + C6.28 + C6.29 **C6.31**
£ 10,882
SA302

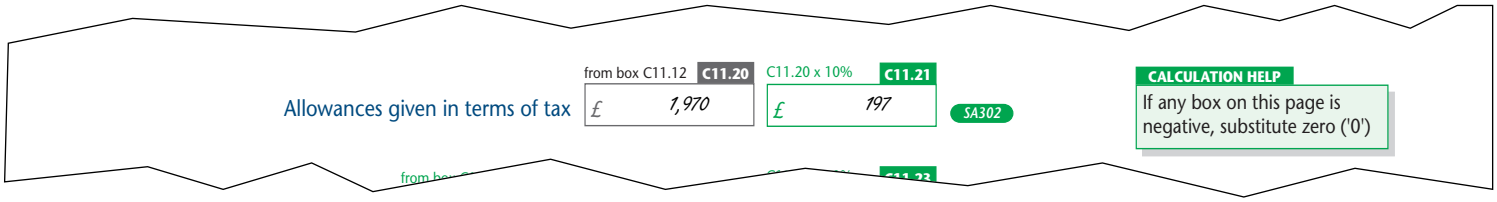
Income Tax

continued over

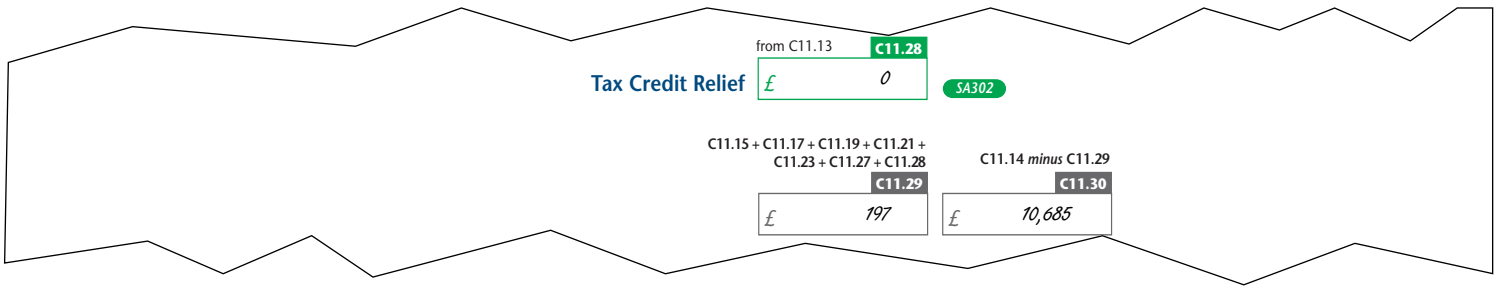
Part of page 19 of the Tax Calculation Guide


Copy to box C11.16
ALLOWANCES (FROM QUESTION 16)
CALCULATION HELP
Box C11.8, Married Couple's Allowance, is £1,970 unless you were married after 5 May 1999 or you, or your spouse, were born before 5 April 1935 and your income is below certain limits or the allowance has to be reduced - see page 24 of your Tax Return Guide.
Married couple's allowance (see note aside and page 28)
C11.8
£ 1,970
SA302
from box 16.28
Married Couple's Surplus allowance
C11.9
£
SA302
Additional Personal allowance (usually £1,970, see notes)
C11.10
£
SA302
Widow's bereavement allowance (£1,970)
C11.11
£
SA302
CALCULATION HELP
If any box on this page is negative, substitute zero ('0') unless otherwise stated
C11.8 + C11.9 + C11.10 + C11.11
C11.12
£ 1,970
SA302
Copy to box C11.20
FOREIGN TAX PAID (FROM QUESTION 6)
from box 6.9
Tax Credit relief
C11.13
£ 0
Copy to box C11.28
NOW CALCULATE TAX DUE
from box C6.31
Income Tax due
C11.14
£ 10,882
from C7.29
C11.15

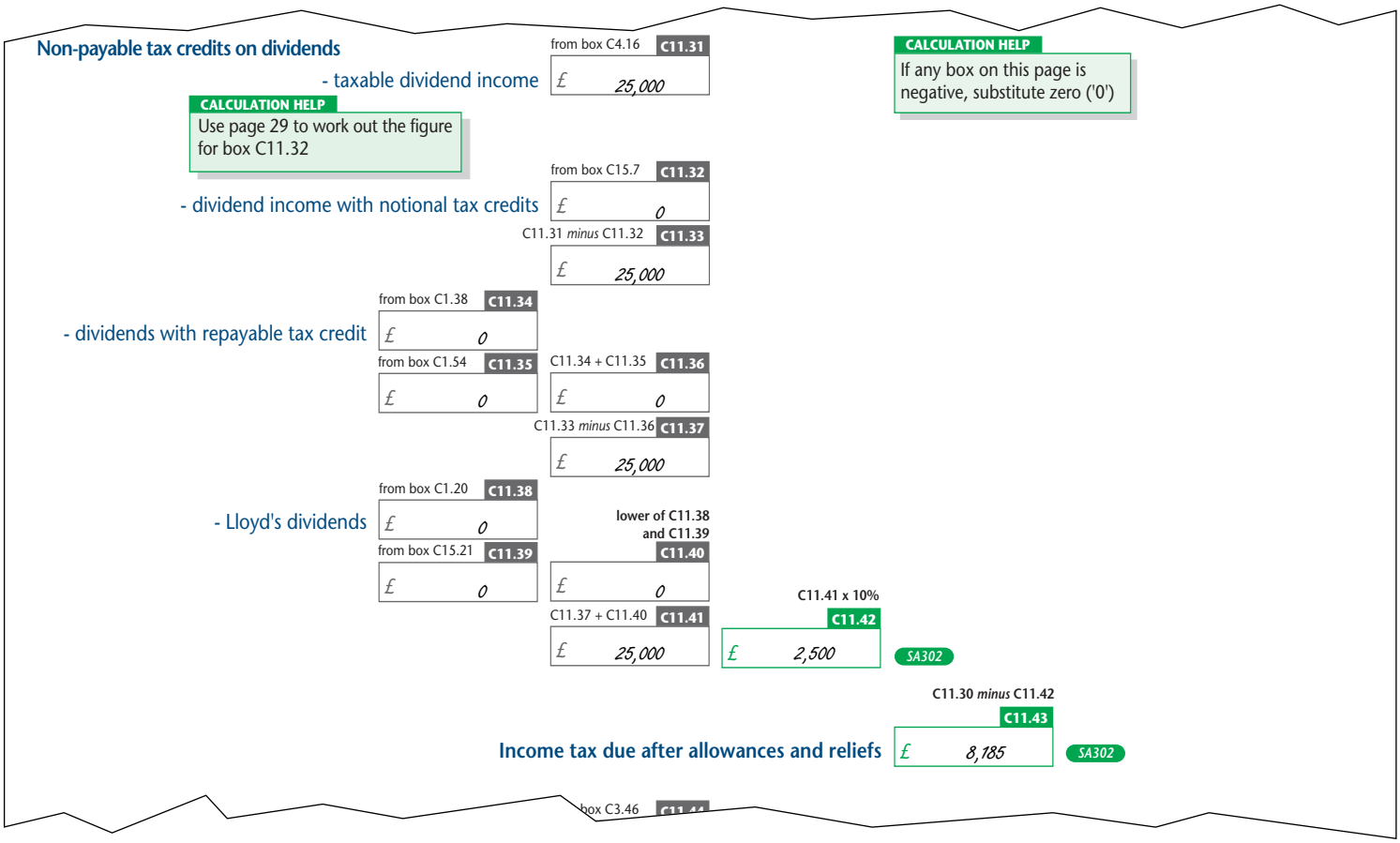
Part of page 20 of the Tax Calculation Guide



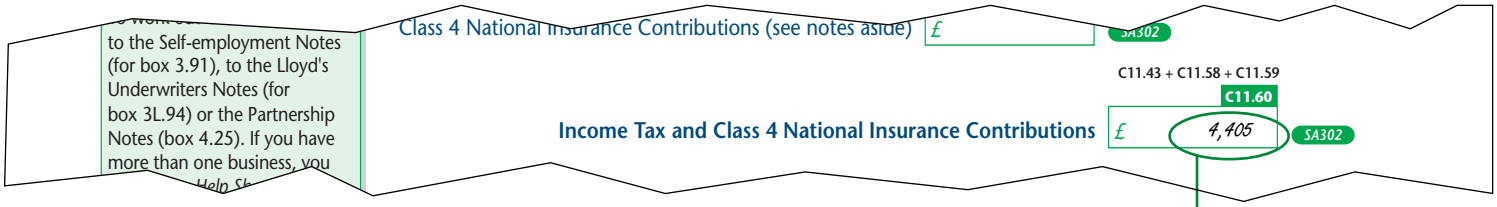
Part of page 20 of the Tax Calculation Guide



Part of page 21 of the Tax Calculation Guide



Part of page 22 of the Tax Calculation Guide


to the Self-employment Notes (for box 3.91), to the Lloyd's Underwriters Notes (for box 3L.94) or the Partnership Notes (box 4.25). If you have more than one business, you
Class 4 National Insurance Contributions (see notes aside)
£
SA302
C11.43 + C11.58 + C11.59 C11.60
Income Tax and Class 4 National Insurance Contributions
£ 4,405
SA302

If the figure in box 28 in the working sheet of this Help Sheet is less than the figure in box C11.43, do not enter the figure in box C11.43 in box C11.60, but add the figure in box 28 to any figures in boxes C11.58 and C11.59 and enter the result in box C11.60.